

LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED JULY 18, 2007

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June 11, 2007

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

DR. JOHN C. MCDONALD, CHANCELLOR
LOUISIANA STATE UNIVERSITY HEALTH SCIENCES
CENTER IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Shreveport, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Board of Regents (BOR) and the management of Louisiana State University Health Sciences Center in Shreveport (center), solely to assist BOR and the center in evaluating whether the center is complying with the reporting requirements of the Louisiana Board of Regents, Endowed Chair and Endowed Professorship Programs, Statement of Investment Policy and Objectives (Statement), Section 2(H) regarding the center's Endowed Chair and Endowed Professorship Program Assets (Program Assets), endowment proceeds, investment earnings, and annual reports for the year ended June 30, 2006. The center's management is responsible for ensuring that Program Assets are managed in accordance with Statement requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the BOR and the management of the center. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

1. We verified that the long-term objective of the Program Assets had been obtained by achieving an average annual real total return of at least 5% of the assets over time in accordance with Section A of the Statement.

We found that the long-term objective of achieving an average annual real total return of at least 5% had not been obtained. For the year ended June 30, 2006, the average annual real total return ranged from .56% to .71% for the three endowments.

2. We verified that the long-term average spending is no greater than the long-term real total return of the fund in accordance with Section B of the Statement.

We found no exceptions for two of the three endowments. However, we were unable to perform this procedure for the Willis Knighton endowment. The market value for this endowment has declined over the past five years. We were unable to determine if the decline is the result of declines in the market value of the investment, inappropriate spending in previous years, or a combination of both.

3. We verified that the portfolio composition and asset allocation is in accordance with Section C of the Statement.

We found no exceptions as a result of this procedure.

4. We verified that the investment performance of the Program Assets met the benchmarks contained in Section E of the Statement.

We found that the benchmarks contained in Section E of the Statement had not been met by the performance of Program Assets. We were unable to determine the exact deficiencies since the center had not included realized and unrealized gains and losses when reporting investment performance for Program Assets.

5. We verified that the annual financial reports were prepared in accordance with the Statement using the correct information.

We noted the following errors in the annual financial reports:

- The headings on two of the three reports did not indicate the correct years the endowments were established. The Willis Knighton endowment report indicated the endowment was established in 1990 when it was actually established in 1991. The Malcom Feist endowment report indicated the endowment was established in 2001 when it was actually established in 2000.
 - The reports did not include unrealized and realized capital gains and losses with interest earnings to determine the overall investment returns. Changes in reported year-end values should agree with the net of reported revenues, expenses, and other changes in net assets for the year. Since each of the endowments had unreported capital losses, this also overstates the endowments' real rates of return for fiscal year ending 2006.
6. We agreed the year-end amounts on the annual financial reports to the center's general ledger and supporting schedules.

We found the values and earnings reported in the annual financial reports did not include realized and unrealized gains and losses that were included in the general ledger.

7. We footed and cross-footed the supporting schedules used to prepare the annual financial reports for accuracy.

We found no exceptions as a result of this procedure.

8. We tested the center's computations for its three endowments to verify that sufficient funds were accumulated for use as salaries or salary supplements or for other expenses related to scholarly work for eligible faculty members.

We found no exceptions as a result of this procedure.

9. We were to select one expenditure transaction, using auditor judgment, from each of the three endowments and verify that the transaction was properly approved and spent in accordance with the Statement.

We found that the Schumpert Endowment was the only endowment to incur expenditures for 2006 and no exceptions were noted as a result of this procedure.

10. If Program Assets were pooled, we were to test the allocation of investment earnings of the three endowments to determine that the investment earnings generated from the pooled assets involving the endowments were properly allocated in accordance with the Statement and trace the amounts allocated to the general ledger or supporting schedules.

We found that the Program Assets were not pooled during the year.

11. We were to verify that the required Annual Reporting forms were submitted no later than October 1, 2006. In addition, we were to verify that the required audit report was submitted to the Legislative Auditor and to the Finance and Administration Division of the BOR by October 31, 2006. Furthermore, if there were any audit findings, we were to determine if there was a corrective action plan included in the report to address each finding.

We found that the center submitted the required Annual Reporting forms before October 1, 2006. However, the required audit report was not submitted to the Legislative Auditor or to the Finance and Administration Division of the BOR by October 31, 2006. The center was granted an extension for submission of the audit report until March 31, 2007, by Ms. Wendy Simoneaux, Associate Commissioner for Finance and Administration of the BOR, but this extended date was also not met. Management included a corrective action plan to address each finding in the report.

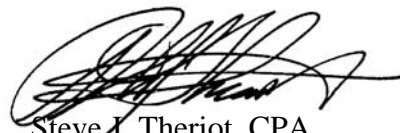
12. We verified that internal management fees charged, if any, did not exceed 125 basis points in total for all Program Assets as required by Section D(2) of the Statement.

We found that no internal management fees were charged during the year.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the center's annual financial reports or on its compliance with the BOR, Endowed Chair and Endowed Professorship Programs, Statement of Investment Policy and Objectives. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the BOR and the management of the center and is not intended to be, and should not be, used by anyone other than these specified parties. By provision of state law, this is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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